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SUBJECT: TURKEY: WORKSHARE AND TECH TRANSFER REMAIN DEFENSE
PROCUREMENT PRIORITIES

REF: ANKARA 6080

¶1. (SBU) SUMMARY: Defense Minister Gonul will raise two issues during his October 30 Pentagon meetings and also in Texas with Lockheed Martin on October 31: maximizing workshare and technology transfer on the Joint Strike Fighter (JSF) program; and, negotiating workshare or offset work as part of the purchase package for 30 new F-16s, he told the Ambassador on October 26. Gonul noted Turkey's preference for used F-16s over new aircraft to fill the gap while its current fleet is being upgraded and reiterated a request that the USG consider such a sale to Turkey. Ambassador dismissed the used F-16 option as unlikely and urged the GOT to resolve its workshare requirements directly with Lockheed Martin. Undersecretary for Defense Industries Murad Bayar said Gonul would raise Turkey's continued concerns with the licensing process and would be prepared to discuss US defense industry concerns about Terms and Conditions contained in the standard procurement contract. END SUMMARY.

TOP PRIORITY IS JSF

¶2. (SBU) In a meeting to discuss his October 30-31 trip to the United States, Minister of National Defense (MND) Vecdi Gonul advised the Ambassador that his top priority is to resolve Turkey's outstanding issues on the JSF (F-35) program before signing the multilateral Production, Sustainment and Follow-On Development (PSFD) MOU. Gonul said Turkey takes issue with several points in the bilateral supplement to the PSFD MOU. Technology transfer is critical, Gonul stated. Turkey "wants a success, not just a toy that it doesn't know what's inside." Turkey would also like to incorporate a domestically-developed crypto system that was previously integrated into Turkey's F-16s, helos and other equipment. Additionally, Turkish law requires that at least 50% of the procurement price be contributed in the form of local production or offset work. Gonul expressed concern over PSFD wording that suggests that Turkey stands to lose 100% of its JSF workshare in the event that total production falls below a certain level and said that Turkey's loss should be proportionate to the overall production loss, not greater.

CRITICAL GAP IN F-16 FLEET

¶3. (SBU) The modernization of Turkey's F-16 fleet has left it with a gap that it hopes to fill with new or, preferably, used F-16s, Gonul stated. Referring to Turkey's past request for used F-16s, he expressed dismay that the US had sold used aircraft to Pakistan and Italy but not to Turkey, and reiterated the GOT's interest in such a purchase. Ambassador underscored that we had thoroughly explored that option but that no used F-16s were available. He expressed doubt that the circumstances had changed. Barring that possibility,

Gonul said, Turkey is willing to buy 30 new F-16 Block 50 aircraft. Given Turkey's past production of 280 F-16s at Tusas Aerospace Industries (TAI), however, the GOT would have difficulty justifying an off-the-shelf purchase of US aircraft to the Turkish public unless it could demonstrate that it was not cost-effective to produce all or portions of such a small number of aircraft in Turkey.

¶4. (SBU) Bayar described a lab in Eskisehir that produced mission-support software for the 280 F-16s produced by TAI. The upgraded F-16s will use different software that will render obsolete the Eskisehir plant capabilities. Turkey would like to keep the Eskisehir software facility competitive by producing software for the upgraded F-16s. To do so, Turkey would need access to the new F-16 technology.

¶5. (SBU) Ambassador pointed out that the Turkish Air Force Command (TAFC) had requested fast delivery of F-16s at the lowest price; local production would add to both the production schedule and the cost. Gonul acknowledged that Turkey could not make an balanced decision absent detail on the added costs and time and said that if the delay or price increase is so extensive as to severely limit the utility of the buy, Turkey would reconsider. He dismissed the TAFC requirement, stating that the military focuses on its equipment needs without considering the development of the defense industry, and suggested that Turkey would be willing to live with a six-month delay in order to secure local production. Bayar responded that TAI claimed it would be able to produce the planes on time and within budget. If local production of the new F-16s is not possible, Gonul suggested, perhaps Turkey could do F-16 upgrade work for aircraft destined for Pakistan or other countries. He also raised the option of an offset package in lieu of workshare. Ambassador welcomed Gonul's October 31 visit to Lockheed Martin in Texas and urged the delegation to work out Turkey's requirements directly with the company.

US LICENSING PROCESS A CONTINUING FRUSTRATION

¶6. (SBU) USG licensing requirements will also be on the agenda for the Pentagon meetings, said Bayar. SSM appreciated the USG efforts to approve several revised marketing licenses for Turkey's second purchase of Sikorsky Seahawks, but others remained outstanding. Bayar said he plans to address the continued difficulties facing Turkey in securing appropriate marketing licenses on a timely basis. Gonul offered the opportunity to discuss the continuing US defense industry concerns about the Terms and Conditions contained in SSM's standard contract.

¶7. (SBU) Gonul said he does not intend to raise specific issues related to Iraq, the PKK, Afghanistan, NATO or any other topic, but would be interested in the USG perspective on the future of Iraq in light of the ongoing Baker initiative and the recent Holbrooke letter to the President.

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